

CITY OF FLORESVILLE, TEXAS  
ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED SEPTEMBER 30, 2014

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CITY OF FLORESVILLE, TEXAS  
ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2014

ANNUAL FINANCIAL REPORT  
of the  
CITY OF FLORESVILLE, TEXAS YEAR  
ENDED SEPTEMBER 30, 2014

CITY COUNCIL:

MAYOR

DIANA GARZA

MAYOR PRO TEM

JOHN W. GUERRERO

COUNCIL MEMBER

ERIC RODRIGUEZ

COUNCIL MEMBER

JOHNNY RAY NIETO

COUNCIL MEMBER

JUAN ORTIZ

COUNCIL MEMBER

DANIEL M. TEJADA

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## INDEPENDENT AUDITORS' REPORT

To the City Council  
City of Floresville, Texas  
1120 D Street  
Floresville, Texas 78114

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Floresville, Texas as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Floresville, Texas' basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Floresville Electric Light and Power System (FELPS), which represents 100% of the assets, net position, and revenues of the business-type activities of the discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for FELPS, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Floresville, Texas as of September 30, 2014 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 and the budgetary comparison information on pages 44-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Floresville, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and the other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors.



In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2015, on our consideration of the City of Floresville, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Floresville, Texas' internal control over financial reporting and compliance.

ABIP, PC

Certified Public Accountants

San Antonio, Texas

March 26, 2015

CITY OF FLORESVILLE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014

Our discussion and analysis of the City of Floresville, Texas' financial performance provides an overview of the City's financial activities for the year ended September 30, 2014. We recommend and encourage readers to consider the information presented here in conjunction with the Independent Auditors' Report and the City's financial statements.

FINANCIAL HIGHLIGHTS

In March 2013 the City of Floresville adapted an Insolvency Turnaround Plan. This Plan is the beginning of a series of strategies to assist the City with the four essential components:

- Identification of critical priorities to affect change.
- Listing of specific imperatives to undertake.
- Metrics, targets and accountabilities to track the change.
- Monitoring on all required actions and metrics to ensure progress (execution).

Governmental Activities:

- The \$176,761 decrease in net position was due to two factors. Revenue, expenses, and transfers added to the net position by \$656,368, however prior period adjustments decreased the net position by (\$833,129). The prior period adjustments were a result of the City implementing the provisions of Governmental Accounting Standards Board (GASB) Statements #45 and #65.
- GASB #45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, requires that employers to record costs and liabilities of benefits, such as health insurance, that is provided to retirees on an actuarial basis, and not on a pay-as-you-go basis. As a result of adopting GASB #45 and based on the actuary study, the City recognized past expenses and liabilities of \$161,439.
- GASB #65, Items Previously Reported as Assets as Assets and Liabilities required a retro-active adjustment to net assets to recognize costs associated with bond issuance that were previously deferred and amortized over the life of the bond issue. This adjustment reclassified the past bond issue costs to be considered an expense when it was incurred resulting a decrease in net position of \$671,690.
- Included in total net position are the following components:
  - \$5,395,877 net investment in capital assets.
  - \$1,755,225 that is restricted for use.
  - \$141,606 that is unrestricted and can be used for City's ongoing operations.

### Business-Type Activities:

- The Proprietary net position increased by \$562,029 for a balance of \$4,520,359.
- Included in total net position are the following components:
  - \$3,049,690 877 net investment in capital assets.
  - \$1,470,669 that is unrestricted

## OVERVIEW OF THE FINANCIAL STATEMENTS

The management discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents the information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial portion of the City is improving or deteriorating. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm sewer, water distribution and sewer collections lines, etc.) to assess the overall financial condition of the City.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expense are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees (business-type activities).

- Governmental activities - The City's basic services are reported herein, including judicial, police, fire, public works, mayor and council, parks and recreation departments, civic center, and general administration. Property taxes, sales taxes, franchise fees, and state and federal grants finance most of these activities.
- Business-type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer and refuse system as well as cemetery lot sales are reported here.
- The City also reports on discretely presented component units which include the 4A Corporation, Floresville EDC (4b), and Floresville Electric light and Power System (F.E.L.P.S.).

The government-wide financial statements include the Statement of Net position and the Statement of Activities (pages 12 through 15).

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's two kinds of funds - governmental and proprietary - use different accounting methods.

The basic fund financial statements can be found on pages 12 through 25.

- Governmental funds - The City reports its basic services in governmental funds. These funds use modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.
- Proprietary funds - When the City charges customers for the services it provides, whether to outside customers or to other units of the City - these are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of Net position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government wide statements but provide more detail and additional information such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities.
- Fiduciary funds - The City is a trustee for a volunteer firemen's pension funds and is an agent for F.E.L.P.S. collections. All of the City's fiduciary activities are reported in the separate Statement of Fiduciary Net position and Changes in Fiduciary Net position on pages 24 and 25. We exclude these resources from the City's other financial statements because the City cannot use them to support its operations. The City is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 through 41.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's combined governmental and business-type activities.

Net position of the City's combined activities increased by \$385,268 from \$11,427,799 to \$11,813,067. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - was \$1,612,275 at September 30, 2014.

Net position of the City's governmental activities decreased by \$176,761 and net position of the business-type activities increased by \$562,029 for the year.

Table 1  
City of Floresville, Texas  
Statement of Net Position

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>		<u>TOTAL</u>	
	<u>9/30/2014</u>	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2013</u>
<u>ASSETS</u>						
Current Assets	\$ 2,259,500	\$ 1,618,287	\$ 1,611,341	\$ 1,126,815	\$ 3,870,841	\$ 2,745,102
Noncurrent Assets	7,330,615	8,077,713	-	-	7,330,615	8,077,713
Capital Assets	<u>7,414,261</u>	<u>7,623,859</u>	<u>3,049,690</u>	<u>3,141,437</u>	<u>10,463,951</u>	<u>10,765,296</u>
Total Assets	<u>17,004,376</u>	<u>17,319,859</u>	<u>4,661,031</u>	<u>4,268,252</u>	<u>21,665,407</u>	<u>21,588,111</u>
<u>LIABILITIES</u>						
Current Liabilities	937,344	968,319	59,876	247,262	997,220	1,215,581
Long-Term Liabilities	<u>8,774,324</u>	<u>8,882,071</u>	<u>80,796</u>	<u>62,660</u>	<u>8,855,120</u>	<u>8,944,731</u>
Total Liabilities	<u>9,711,668</u>	<u>9,850,390</u>	<u>140,672</u>	<u>309,922</u>	<u>9,852,340</u>	<u>10,160,312</u>
<u>NET POSITION</u>						
Net Investment in Capital Assets	5,395,877	5,754,179	3,049,690	3,141,437	8,445,567	8,895,616
Restricted	1,755,225	1,142,397	-	-	1,755,225	1,142,397
Unrestricted	<u>141,606</u>	<u>572,893</u>	<u>1,470,669</u>	<u>816,893</u>	<u>1,612,275</u>	<u>1,389,786</u>
TOTAL NET POSITION	<u>\$ 7,292,708</u>	<u>\$ 7,469,469</u>	<u>\$ 4,520,359</u>	<u>\$ 3,958,330</u>	<u>\$ 11,813,067</u>	<u>\$ 11,427,799</u>

Table 2  
City of Floresville, Texas  
Changes in Net Position

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	9/30/2014	9/30/2013	9/30/2014	9/30/2013	9/30/2014	9/30/2013
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 641,629	\$ 666,706	\$3,290,985	\$2,716,544	\$ 3,932,614	\$ 3,383,250
Operating Grants and Contributions	-	-	-	-	-	-
Capital Contribution	-	-	-	-	-	-
General Revenues						
Property Tax	891,727	839,533	-	-	891,727	839,533
Sales Tax	2,360,021	1,751,573	-	-	2,360,021	1,751,573
Hotel/Motel Tax	323,391	284,969	-	-	323,391	284,969
Franchise Tax	332,504	629,184	-	-	332,504	629,184
Capital Recovery Fees	-	-	-	-	-	-
Unrestricted Investment Earnings	18	47	8	13	26	60
Other Income	201,872	146,820	-	-	201,872	146,820
Total Revenues	<u>4,751,162</u>	<u>4,318,832</u>	<u>3,290,993</u>	<u>2,716,557</u>	<u>8,042,155</u>	<u>7,035,389</u>
<b>EXPENSES</b>						
General Government	1,018,370	1,144,662	-	-	1,018,370	1,144,662
Judicial	95,062	100,575	-	-	95,062	100,575
Police	1,560,550	1,391,590	-	-	1,560,550	1,391,590
Fire Protection	24,487	22,052	-	-	24,487	22,052
Highways and Streets	423,090	592,645	-	-	423,090	592,645
Mayor and Council	321,753	26,261	-	-	321,753	26,261
Parks and Recreation	227,292	458,762	-	-	227,292	458,762
Service Department	96,140	-	-	-	96,140	-
Pool	39,301	90,487	-	-	39,301	90,487
Civic Center	251,699	238,765	-	-	251,699	238,765
Bond Interest	296,852	129,427	-	-	296,852	129,427
Water and Sewer	-	-	1,708,872	1,488,569	1,708,872	1,488,569
Refuse	-	-	754,081	784,805	754,081	784,805
Cemetery	-	-	6,209	18,398	6,209	18,398
Total Expenses	<u>4,354,596</u>	<u>4,195,226</u>	<u>2,469,162</u>	<u>2,291,772</u>	<u>6,823,758</u>	<u>6,486,998</u>
Increase (Decrease) in Net Position before Transfers	396,566	123,606	821,831	424,785	1,218,397	548,391
<b>TRANSFERS</b>	<u>259,802</u>	<u>200,000</u>	<u>(259,802)</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	656,368	323,606	562,029	224,785	1,218,397	548,391
<b>NET POSITION - BEGINNING</b>	<u>7,469,469</u>	<u>7,145,863</u>	<u>3,958,330</u>	<u>3,733,545</u>	<u>11,427,799</u>	<u>10,879,408</u>
Prior Period Adjustments	(833,129)	-	-	-	(833,129)	-
<b>NET POSITION AT BEGINNING OF YEAR - RESTATED</b>	<u>6,636,340</u>	<u>7,145,863</u>	<u>3,958,330</u>	<u>3,733,545</u>	<u>10,594,670</u>	<u>10,879,408</u>
<b>NET POSITON - ENDING</b>	<u>\$7,292,708</u>	<u>\$7,469,469</u>	<u>\$4,520,359</u>	<u>\$3,958,330</u>	<u>\$11,813,067</u>	<u>\$11,427,799</u>

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$2,007,873.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets:

At the end of fiscal 2014, the City had \$10,463,951, net of depreciation, invested in a broad range of capital assets, including police and fire equipment, buildings, park and recreational facilities, roads, bridges, and water and sewer lines. Additional information on the City's capital assets is presented in the Notes to the Financial Statements (Note 6, pages 36 through 37).

### Debt:

At year-end, the City had \$8,949,719 in bonds and \$242,486 in capital leases outstanding.

Other obligations include accrued vacation. More detailed information about the City's long-term liabilities is presented in the Notes to the Financial Statements ( Note 7, page 37 through 38).

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors and goals when setting the fiscal year 2015 budget and tax rates. While the national economy continues to struggle, the local area has experienced significant increases in activities related to oilfield development. The budget was executed in pursuit of two primary objectives: to continue implementing the Insolvency Turnaround Plan relating to the City's finances, and addressing future needs of the City's infrastructure. Within this context, the top priority is to improve the quality of municipal services provided to both residential and commercial growth. Infrastructure improvements will continue as an integral part of that effort so that we may maintain our services and competitive posture. The street department will continue paving projects in accordance with the street study and the water distribution department will begin an engineered improvement plan designed to meet the needs of future growth. These factors were taken into account when adopting the general fund budget for 2015.

Amounts available for appropriation in the general fund budget are \$3,765,852, an increase of \$120,000 or 3% under the final 2014 budget of \$3,645,852. In order to accomplish funding of the 2015 budget, the 2015 tax rate was set at \$0.163100/\$100 for general operations and \$0.162100/\$100 for debt service, for a total of \$0.325200/\$100.

Although the general fund balance improved to \$182,329 at September 30, 2014, Council and Staff are addressing the issue with the adoption and implementation of the Insolvency Turnaround Plan. Some of the key components included are additional monitoring of current budgets, implementing a zero based budgeting for 2014/2015, developing financial management policies. The plan is to be reviewed semi-annually by Council for progress and to update or set additional priorities. The vision of the Insolvency Turnaround Plan is for staff, on a daily basis, to ensure that the goals of the plan are addressed.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at the City's office at 1120 D Street, Floresville, Texas 78114.

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BASIC FINANCIAL STATEMENTS

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 1,705,997	\$ 1,116,026	\$ 2,822,023
Receivables - Net of Allowances for Uncollectibles:			
Property Taxes	210,311	-	210,311
Other	4,207	495,315	499,522
Due from Other Funds	2,156	-	2,156
Due from Other Governments	336,829	-	336,829
Inventories	-	-	-
Prepaid items	-	-	-
Capital Assets, Net			
Land	160,209	58,155	218,364
Buildings	5,560,017	-	5,560,017
Property, Plant and Equipment	705,315	2,991,535	3,696,850
Infrastructure	988,720	-	988,720
Note Receivable Center for Housing	-	-	-
Note Receivable F & W	-	-	-
Note Receivable 4A Corporation	6,111,172	-	6,111,172
Note Receivable Floresville EDC	<u>1,219,443</u>	<u>-</u>	<u>1,219,443</u>
TOTAL ASSETS	<u>\$ 17,004,376</u>	<u>\$ 4,661,031</u>	<u>\$21,665,407</u>
<u>LIABILITIES AND NET POSITION</u>			
Liabilities			
Accounts Payable	20,090	51,263	71,353
Accrued Liabilities	285,041	8,613	293,654
Due to Others	1,988	-	1,988
Accrued Interest Payable	24,897	-	24,897
OPEB Liability	187,447	-	187,447
Noncurrent Liabilities			
Due Within One Year	417,881	-	417,881
Due in More than One Year	<u>8,774,324</u>	<u>80,796</u>	<u>8,855,120</u>
Total Liabilities	<u>9,711,668</u>	<u>140,672</u>	<u>9,852,340</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	5,395,877	3,049,690	8,445,567
Restricted Net Position			
Debt Service	388,753	-	388,753
Capital Projects	156,794	-	156,794
Special Revenue Funds	1,209,678	-	1,209,678
Unrestricted Net Position	<u>141,606</u>	<u>1,470,669</u>	<u>1,612,275</u>
Total Net Position	<u>7,292,708</u>	<u>4,520,359</u>	<u>11,813,067</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 17,004,376</u>	<u>\$ 4,661,031</u>	<u>\$21,665,407</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

COMPONENT UNITS

FLORESVILLE 4A CORP.	FLORESVILLE E.D.C.	12/31/2013 F.E.L.P.S.
\$ 1,183,134	\$ 1,445,829	\$ 14,260,888
-	-	-
1,383	-	2,452,145
-	-	-
66,434	132,867	-
2,297	203,434	1,700,375
-	-	144,617
920,020	355,994	-
2,648	48,355	-
-	-	44,070,256
-	111,144	-
-	98,617	-
-	106,021	-
-	-	-
-	-	-
<u>\$ 2,175,916</u>	<u>\$ 2,502,261</u>	<u>\$ 62,628,281</u>
-	0	1,709,244
-	4,173	358,319
-	-	1,153,249
20,863	-	-
-	-	-
207,097	66,000	1,175,000
<u>6,819,075</u>	<u>1,153,443</u>	<u>21,474,326</u>
<u>7,047,035</u>	<u>1,223,616</u>	<u>25,870,138</u>
922,668	515,493	21,420,930
-	-	1,888,165
-	-	-
-	-	-
<u>(4,907,879)</u>	<u>763,152</u>	<u>13,449,048</u>
<u>(4,871,119)</u>	<u>1,278,645</u>	<u>36,758,143</u>
<u>\$ 2,175,916</u>	<u>\$ 2,502,261</u>	<u>\$ 62,628,281</u>

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED  
SEPTEMBER 30, 2014

FUNCTIONS AND PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>Primary Government</b>				
<u>Governmental Activities</u>				
Administration	\$ (1,018,370)	\$ 288,113	\$ -	\$ -
Municipal Court	(95,062)	143,819	-	-
Police Department	(1,560,550)	3,062	-	-
Fire Department	(24,487)	-	-	-
Streets Department	(423,090)	-	-	-
Parks and Recreation	(321,753)	36,508	-	-
Service Department	(227,292)	-	-	-
Pool Department	(96,140)	48,965	-	-
Mayor and Council	(39,301)	-	-	-
Civic Center	(251,699)	121,162	-	-
Interest on Long Term Debt	(296,852)	-	-	-
Total Governmental Activities	<u>(4,354,596)</u>	<u>641,629</u>	<u>-</u>	<u>-</u>
<u>Business-Type Activities</u>				
Water and Sewer	(1,708,872)	2,207,919	-	-
Refuse	(754,081)	1,072,939	-	-
Cemetery	(6,209)	10,127	-	-
Total Business-Type Activities	<u>\$ (2,469,162)</u>	<u>3,290,985</u>	<u>-</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b><u>\$ (6,823,758)</u></b>	<b><u>\$ 3,932,614</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>
<b>Component Units</b>				
Floresville 4A Corp.	\$ (308,607)	\$ 89,388	\$ -	\$ -
Floresville E.D.C.	(325,652)	11,732	-	-
F.E.L.P.S.	(30,717,169)	32,097,427	-	1,742,646
<b>TOTAL COMPONENT UNITS</b>	<b><u>\$ (31,351,428)</u></b>	<b><u>\$ 32,198,547</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,742,646</u></b>
<u>General Revenues</u>				
Taxes:				
Property Taxes				
Sales and Other Taxes				
Franchise Fees				
Interest				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
<u>Special Item</u>				
Proceeds from Lawsuit Settlement				
Change in Net Position				
<u>NET POSITION AT BEGINNING OF YEAR</u>				
Cash Distributions to Cities				
Prior Period Adjustments				
<u>NET POSITION AT BEGINNING OF YEAR - RESTATED</u>				
NET POSITION AT END OF YEAR				

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION

PRIMARY GOVERNMENT			COMPONENT UNITS		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	GOVERNMENTAL TYPE		BUSINESS TYPE
			FLORESVILLE 4A CORP.	FLORESVILLE E.D.C.	12/31/2013 F.E.L.P.S.
\$ (730,257)	\$ -	\$ (730,257)			
48,757	-	48,757			
(1,557,488)	-	(1,557,488)			
(24,487)	-	(24,487)			
(423,090)	-	(423,090)			
(285,245)	-	(285,245)			
(227,292)	-	(227,292)			
(47,175)	-	(47,175)			
(39,301)	-	(39,301)			
(130,537)	-	(130,537)			
<u>(296,852)</u>	<u>-</u>	<u>(296,852)</u>			
<u>(3,712,967)</u>	<u>-</u>	<u>(3,712,967)</u>			
-	499,047	499,047			
-	318,858	318,858			
<u>-</u>	<u>3,918</u>	<u>3,918</u>			
-	821,823	821,823			
<u>\$ (3,712,967)</u>	<u>\$ 821,823</u>	<u>\$ (2,891,144)</u>			
			\$ (219,219)	\$ -	\$ -
			-	(313,920)	-
			<u>-</u>	<u>-</u>	<u>3,122,904</u>
			<u>(219,219)</u>	<u>(313,920)</u>	<u>3,122,904</u>
891,727	-	891,727	-	-	-
2,360,021	-	2,360,021	403,965	807,928	-
655,895	-	655,895	-	-	-
18	8	26	-	3,533	6,735
201,872	-	201,872	4,250	73,784	-
<u>259,802</u>	<u>(259,802)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,369,335</u>	<u>(259,794)</u>	<u>4,109,541</u>	<u>408,215</u>	<u>885,245</u>	<u>6,735</u>
-	-	-	875,533	-	-
656,368	562,029	1,218,397	1,064,529	571,325	3,129,639
7,469,469	3,958,330	11,427,799	(5,176,840)	718,632	34,519,544
-	-	-	-	-	(891,040)
<u>(833,129)</u>	<u>-</u>	<u>(833,129)</u>	<u>(758,808)</u>	<u>(11,312)</u>	<u>-</u>
<u>6,636,340</u>	<u>3,958,330</u>	<u>10,594,670</u>	<u>(5,935,648)</u>	<u>707,320</u>	<u>33,628,504</u>
<u>\$ 7,292,708</u>	<u>\$ 4,520,359</u>	<u>\$ 11,813,067</u>	<u>\$ (4,871,119)</u>	<u>\$ 1,278,645</u>	<u>\$ 36,758,143</u>

CITY OF FLORESVILLE, TEXAS  
BALANCE SHEET – GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>STREET MAINTENANCE TAX</u>	<u>HOTEL/ MOTEL OCCUPANCY TAX</u>	<u>OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 15,535	\$ 392,643	\$ 491,771	\$ 526,738	\$ 279,310	\$ 1,705,997
Receivables - Net of Allowances for Uncollectibles						
Property Taxes	133,451	76,860	-	-	-	210,311
Other	-	-	-	-	4,207	4,207
Due from Other Funds	2,156	-	-	-	-	2,156
Due from Other Governments	<u>270,395</u>	<u>-</u>	<u>66,434</u>	<u>-</u>	<u>-</u>	<u>336,829</u>
 TOTAL ASSETS	 <u>\$ 421,537</u>	 <u>\$ 469,503</u>	 <u>\$ 558,205</u>	 <u>\$ 526,738</u>	 <u>\$ 283,517</u>	 <u>\$ 2,259,500</u>
<u>LIABILITIES</u>						
Accounts Payable	16,200	3,890	-	-	-	20,090
Accrued Liabilities	19,238	-	-	-	-	19,238
Due to Other Governments	-	-	-	-	-	-
Due to Others	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,988</u>	<u>1,988</u>
 Total Liabilities	 <u>35,438</u>	 <u>3,890</u>	 <u>-</u>	 <u>-</u>	 <u>1,988</u>	 <u>41,316</u>
<u>Deferred Inflows of Resources</u>						
Unearned Revenues - Taxes	<u>133,451</u>	<u>76,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>210,311</u>
<u>FUND BALANCES</u>						
Restricted						
Debt Service	-	388,753	-	-	-	388,753
Special Revenue	-	-	558,205	526,738	124,735	1,209,678
Capital Projects	-	-	-	-	156,794	156,794
Unassigned	<u>252,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,648</u>
Total Fund Balances	<u>252,648</u>	<u>388,753</u>	<u>558,205</u>	<u>526,738</u>	<u>281,529</u>	<u>2,007,873</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 <u>\$ 421,537</u>	 <u>\$ 469,503</u>	 <u>\$ 558,205</u>	 <u>\$ 526,738</u>	 <u>\$ 283,517</u>	 <u>\$ 2,259,500</u>

CITY OF FLORESVILLE, TEXAS  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2014

Total fund balance-total governmental funds \$ 2,007,873

Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the funds. 7,414,261

Property taxes receivable unavailable to pay current expenses are deferred  
in the funds. 210,311

Other long-term receivables are not available to pay for current-period expenditures  
and, therefore, are not deferred in the funds. 7,330,615

Accrued vacation leave payable is not due and payable in the current period  
and, therefore, is not reported in the funds. (265,803)

Long-term liabilities are not due and payable in the current period and, therefore,  
are not reported in the funds. These consisted of the following:

Other Post Employment Benefit (OPEB)	(187,447)
Bonds Payable	(9,192,205)

Accrued interest payable on bonded debt is not reported in the funds. (24,897)

Total net position of governmental activities \$ 7,292,708

**CITY OF FLORESVILLE, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	GENERAL FUND	DEBT SERVICE FUND	STREET MAINTENANCE TAX	HOTEL/ MOTEL OCCUPANCY TAX	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Property Taxes	\$ 443,067	\$ 461,299	\$ -	\$ -	\$ -	\$ 904,366
Sales and Other Taxes	1,632,666	-	403,964	323,391	-	2,360,021
Franchise Fees	655,895	-	-	-	-	655,895
Licenses, Permits, Fees and Fines	600,990	-	-	-	40,639	641,629
Miscellaneous	79,879	-	-	-	-	79,879
Contributions	97,401	100,000	-	-	-	197,401
Interest	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>18</u>
Total Revenues	<u>3,509,904</u>	<u>561,299</u>	<u>403,964</u>	<u>323,391</u>	<u>40,651</u>	<u>4,839,209</u>
<b>EXPENDITURES</b>						
Administration	894,194	900	-	5,000	-	900,094
Municipal Court	101,783	-	-	-	-	101,783
Police Department	1,405,574	-	-	-	-	1,405,574
Fire Department	22,210	-	-	-	-	22,210
Streets Department	327,897	-	165,898	-	8,737	502,532
Parks and Recreation	290,855	-	-	-	-	290,855
Service Department	215,598	-	-	-	-	215,598
Pool Department	86,145	-	-	-	-	86,145
Mayor and Council	35,763	-	-	-	-	35,763
Civic Center	222,352	-	-	-	-	222,352
Debt Service						
Principal	-	411,880	-	-	-	411,880
Interest	<u>-</u>	<u>109,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,062</u>
Total Expenditures	<u>3,602,371</u>	<u>521,842</u>	<u>165,898</u>	<u>5,000</u>	<u>8,737</u>	<u>4,303,848</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(92,467)</u>	<u>39,457</u>	<u>238,066</u>	<u>318,391</u>	<u>31,914</u>	<u>535,361</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from Capital Lease	140,591	-	-	-	-	140,591
Transfers In	274,802	-	-	-	-	274,802
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>
Total Other Financing Sources (Uses)	<u>415,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>400,393</u>
Net Change in Fund Balances	322,926	39,457	238,066	318,391	16,914	935,754
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>(70,278)</u>	<u>349,296</u>	<u>320,139</u>	<u>208,347</u>	<u>264,615</u>	<u>1,072,119</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 252,648</u>	<u>\$ 388,753</u>	<u>\$ 558,205</u>	<u>\$ 526,738</u>	<u>\$ 281,529</u>	<u>\$ 2,007,873</u>



CITY OF FLORESVILLE, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances-governmental funds	\$	935,754
<p>Amounts reported in governmental activities and in the statement of activities are different because:</p>		
Capital assets are not recorded in government funds and are reported on the statement of net position. This is the amount of 2014 additions to capital assets.		194,680
Capital assets are not recorded in government funds and are not therefore depreciated. However, in the statement of activities these assets are depreciated over their estimated useful lives. This is the amount of 2014 depreciation.		(404,278)
Revenues that are deferred in governmental activities because they do not provide current financial resources are not deferred in the statement of activities. This is the change in deferred from the prior year.		(12,639)
The repayment of principal on debt consumes current financial resources and is expended in the governmental funds, but is a reduction of the liability and does not affect the statement of activities.		411,880
Accretion of interest is not recorded in the funds.		(187,791)
Capital lease is recognized as other financing sources in the funds and reported as a liability in the statement of net position.		(140,591)
Amounts to be expended for long-term other post employment benefits (OPEB) is not recorded as an expenditure in the funds, but is an expense in the statement of activities. This is the change in OPEB liability in 2014.		(26,007)
Amounts to be expended for long-term employee leave is not recorded as an expenditure in the funds, but is an expense in the statement of activities. This is the change in compensated absences in 2014.		(39,232)
Payments received on the interlocal receivables are not recorded as revenues in the governmental funds but as a reduction of the receivable in the statement of activities.		<u>(75,408)</u>
Change in net position of governmental activities	\$	<u>656,368</u>

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATERWORKS AND SEWER</u>	<u>REFUSE</u>	<u>CEMETERY</u>	<u>TOTALS</u>
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and Cash Equivalents	\$ 986,265	\$ 77,379	\$ 52,382	\$ 1,116,026
Accounts Receivable, Net of Allowance for Uncollectibles	<u>345,246</u>	<u>150,069</u>	<u>-</u>	<u>495,315</u>
Total Current Assets	<u>1,331,511</u>	<u>227,448</u>	<u>52,382</u>	<u>1,611,341</u>
<u>CAPITAL ASSETS</u>				
Land, System, Buildings, and Equipment	10,188,650	-	52,926	10,241,576
Less: Accumulated Depreciation	<u>(7,167,236)</u>	<u>-</u>	<u>(24,650)</u>	<u>(7,191,886)</u>
Net Capital Assets	<u>3,021,414</u>	<u>-</u>	<u>28,276</u>	<u>3,049,690</u>
 TOTAL ASSETS	 <u>\$ 4,352,925</u>	 <u>\$ 227,448</u>	 <u>\$ 80,658</u>	 <u>\$ 4,661,031</u>
<u>LIABILITIES AND NET POSITION</u>				
<u>CURRENT LIABILITIES</u>				
Accounts Payable	\$ 51,263	\$ -	\$ -	51,263
Accrued Liabilities	<u>1,855</u>	<u>6,758</u>	<u>-</u>	<u>8,613</u>
Total Current Liabilities	<u>53,118</u>	<u>6,758</u>	<u>-</u>	<u>59,876</u>
<u>NONCURRENT LIABILITIES</u>				
Accrued Compensated Absences	<u>80,796</u>	<u>-</u>	<u>-</u>	<u>80,796</u>
Total Liabilities	<u>133,914</u>	<u>6,758</u>	<u>-</u>	<u>140,672</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	3,021,414	-	28,276	3,049,690
Unrestricted	<u>1,197,597</u>	<u>220,690</u>	<u>52,382</u>	<u>1,470,669</u>
Total Net Position	<u>4,219,011</u>	<u>220,690</u>	<u>80,658</u>	<u>4,520,359</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 4,352,925</u>	 <u>\$ 227,448</u>	 <u>\$ 80,658</u>	 <u>\$ 4,661,031</u>

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATERWORKS AND SEWER</u>	<u>REFUSE</u>	<u>CEMETERY</u>	<u>TOTALS</u>
<u>OPERATING REVENUES</u>				
Water Sales, Penalties, and Connection Fees	\$ 1,491,048	\$ -	\$ -	\$ 1,491,048
Sewer Sales, Penalties, and Connection Fees	716,871	-	-	716,871
Refuse Collection Fees and Penalties	-	1,072,939	-	1,072,939
Sale of Cemetery Lots	-	-	10,127	10,127
Total Operating Revenues	<u>2,207,919</u>	<u>1,072,939</u>	<u>10,127</u>	<u>3,290,985</u>
<u>OPERATING EXPENSES</u>				
Personnel Costs	683,224	-	-	683,224
General and Administrative Expenses	292,383	-	-	292,383
Repairs and Maintenance	194,639	-	-	194,639
Utilities	155,524	-	-	155,524
Disposal Fees and Sampling Costs	173,385	754,081	-	927,466
Chemicals	46,462	-	-	46,462
Liability Insurance	11,050	-	-	11,050
Other Operating Expenses	-	-	4,278	4,278
Depreciation	152,205	-	1,931	154,136
Total Operating Expenses	<u>1,708,872</u>	<u>754,081</u>	<u>6,209</u>	<u>2,469,162</u>
Operating Income	<u>499,047</u>	<u>318,858</u>	<u>3,918</u>	<u>821,823</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>				
Interest Income	8	-	-	8
Total Nonoperating Revenues (Expenses)	<u>8</u>	<u>-</u>	<u>-</u>	<u>8</u>
Net Income (Loss) before Transfers	499,055	318,858	3,918	821,831
Transfers Out	<u>(59,802)</u>	<u>(200,000)</u>	<u>-</u>	<u>(259,802)</u>
Change in Net Position	439,253	118,858	3,918	562,029
<u>NET POSITION AT BEGINNING OF YEAR</u>	<u>3,779,758</u>	<u>101,832</u>	<u>76,740</u>	<u>3,958,330</u>
NET POSITION AT END OF YEAR	<u>\$ 4,219,011</u>	<u>\$ 220,690</u>	<u>\$ 80,658</u>	<u>\$ 4,520,359</u>

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATERWORKS AND SEWER</u>	<u>REFUSE</u>	<u>CEMETERY</u>	<u>TOTALS</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Payments Received from Customers	\$ 2,129,881	\$ 1,052,449	\$ 10,127	\$ 3,192,457
Payments to Suppliers for Goods and Services	(721,028)	(889,339)	(2,619)	(1,612,986)
Payments for Salaries and Benefits	<u>(869,631)</u>	<u>-</u>	<u>-</u>	<u>(869,631)</u>
Net Cash Provided by (Used in) Operating Activities	<u>539,222</u>	<u>163,110</u>	<u>7,508</u>	<u>709,840</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Acquisition of Capital Assets	<u>(55,829)</u>	<u>-</u>	<u>(6,560)</u>	<u>(62,389)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Transfers to Other Funds	<u>(59,802)</u>	<u>(200,000)</u>	<u>-</u>	<u>(259,802)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(59,802)</u>	<u>(200,000)</u>	<u>-</u>	<u>(259,802)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest Received	<u>8</u>	<u>-</u>	<u>-</u>	<u>8</u>
Net Increase (Decrease) in Cash and Cash Equivalents	423,599	(36,890)	948	387,657
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>562,666</u>	<u>114,269</u>	<u>51,434</u>	<u>728,369</u>
 CASH AND CASH EQUIVALENTS - ENDING	 <u>\$ 986,265</u>	 <u>\$ 77,379</u>	 <u>\$ 52,382</u>	 <u>\$ 1,116,026</u>

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS</u>			
	<u>WATERWORKS AND SEWER</u>	<u>REFUSE</u>	<u>CEMETERY</u>	<u>TOTALS</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET</u>				
<u>CASH PROVIDED BY (USED IN) OPERATING</u>				
<u>ACTIVITIES</u>				
Operating Income (Loss)	\$ 499,047	\$ 318,858	\$ 3,918	\$ 821,823
Depreciation	152,205	-	1,931	154,136
(Increase) Decrease in Assets				
Accounts Receivable	(78,038)	(20,490)	-	(98,528)
Inventory	-	-	1,659	1,659
Increase (Decrease) in Liabilities				
Accounts Payable	3,812	(132,293)	-	(128,481)
Accrued Expenses	<u>(37,804)</u>	<u>(2,965)</u>	<u>-</u>	<u>(40,769)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 539,222</u>	 <u>\$ 163,110</u>	 <u>\$ 7,508</u>	 <u>\$ 709,840</u>

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF FIDUCIARY NET POSITION  
TRUST AND AGENCY FUNDS SEPTEMBER  
30, 2014

	<u>TRUST FUND FIREMEN'S RELIEF AND RETIREMENT</u>	<u>AGENCY FUNDS F.E.L.P.S. COLLECTIONS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ -	\$ 12,023
 TOTAL ASSETS	 <u>\$ -</u>	 <u>\$ 12,023</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>LIABILITIES</u>		
Due to General Fund	2,156	-
Due to F.E.L.P.S.	<u>-</u>	<u>12,023</u>
TOTAL LIABILITIES	<u>2,156</u>	<u>12,023</u>
<u>NET POSITION</u>		
Unrestricted	<u>(2,156)</u>	<u>-</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ -</u>	 <u>\$ 12,023</u>

CITY OF FLORESVILLE, TEXAS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
TRUST FUND – FIREMEN’S RELIEF RETIREMENT  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

<u>ADDITIONS</u>		
Interest Earned		\$ _____ -
 <u>DEDUCTIONS</u>		
Benefits Paid		_____ 4,301
Change in Net Position		(4,301)
 <u>NET POSITION - BEGINNING OF YEAR</u>		 _____ 2,145
NET POSITION - END OF YEAR		\$ <u>_____ (2,156)</u>

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Floresville, Texas ("City"), was incorporated under the provisions of the Acts of the State of Texas. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire protection), highways and streets, sanitation, culture and recreation, planning and zoning, general administrative services, water, and sewer services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Proprietary type funds apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the government, for financial purposes, management has considered all potential component units and associated component units. The decision to include a potential component unit or associated component unit in the reporting entity was made by applying the criteria set forth in GASB statement 14, "The Financial Reporting Entity" and GASB Statement 39 "Determining Whether Certain Organizations are Component Units". The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government.

Component Units:

Based on the criteria of GASB Nos. 14 and 39, the Floresville Economic Development Corporation (FEDC) and the Floresville 4A Corporation are considered to be discretely presented component units. FEDC and the Floresville 4A Corporation are financially accountable to the City because City Council approves their budgets and must approve any debt issuance. The component unit boards are appointed by City Council and their activities benefit the City by promoting growth and development opportunities.

Joint Venture:

The City of Floresville Electric Light and Power System (F.E.L.P.S.) is a municipally owned electric light and power distribution system which serves most of Wilson County, and portions of Bexar and Karnes Counties including the cities of Floresville, Stockdale and Poth. Management and control of the system is vested in a five-member Board of Trustees composed of the Mayor of Floresville, one member for each of the cities of Floresville, Stockdale, and Poth appointed by the respective governing body, and one member appointed on a rotating basis by the City Councils of Floresville, Stockdale, or Poth. The board also includes two non-voting advisory members appointed by the cities of Falls City and La Vernia. The City of Floresville has a 66% interest in this joint venture. Based on the criteria of GASB Nos. 14 and 39 F.E.L.P.S. is considered to be a discretely presented component unit of the City of Floresville.



CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. The value of interfund services provided and used are not eliminated in the government-wide financial statements, as elimination of those charges would distort the direct costs reported for the various functions. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Governmental activities and business type activities are reported as separate columns in the statement of net position.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary and fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash revenue types, which have been accrued, revenue from the investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as program revenues and general revenues. Program revenues include 1) charges to customers or applicants for good, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs and investment earnings.

Governmental fund level financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes which are levied prior to September 30, 2013, and became due October 1, 2013 have been assessed to finance the budget of the fiscal year beginning October 1, 2013 and, accordingly, have been reflected as deferred revenue and taxes receivable in the fund financial statement at September 30, 2014.

Sales taxes, franchise taxes, hotel/motel taxes, and fees associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal period. All other revenue items received by the government are considered to be measurable and available only when the cash is received by the City.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

The general fund is the general operating fund of the City and is always classified as a major fund. The general fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues. Primary expenditures are for general administration, public safety, streets and public recreation.

The debt service fund accounts for tax revenues and various debt transactions.

The street maintenance tax fund is classified as a special revenue fund that is funded by ¼ cent sales tax revenue approved by voters in November 2012 for maintenance of City streets.

The hotel/motel tax fund is also classified as a special revenue fund that is funded by taxes imposed on occupancy of a room or space furnished by a hotel/motel/lodge. Revenue from this tax is used by the City to promote tourism as is allowed by state statute.

Nonmajor funds include special revenue funds which are used to separately account for funds related to grants, contracts, and ordinances. The capital project fund is used to account for the proceeds of the 2008 debt issue and transfers to the general fund for related capital projects expenditures.

Proprietary fund level financial statements are used to account for activities, which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's proprietary funds consist of the water/wastewater fund, refuse fund and the cemetery fund.

The proprietary funds are accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned, and expenses are recognized when liabilities are incurred.
- Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations.

Additionally, the government reports the following fund types:

Agency funds are used to report other resources held in a purely custodial capacity (assets = liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary fund (private purpose trust fund) is reported in the trust and agency financial statements. However, because its assets are held in trust or agent capacity and therefore are not available to support City programs, this fund is not included in the government-wide statements.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Enterprise Funds consider all highly liquid investments including cash in banks, cash on hand, money market accounts and deposits in local government investment pools to be cash equivalents.

E. Investments

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (d). Statutes allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. Investments are stated at fair value.

F. Accounts Receivable

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2013 and past due after January 31, 2014. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Accounts Receivable (Continued)

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectible.

G. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on fund statements.

H. Budgets

An operating budget is adopted each fiscal year for all City governmental funds. The budget is adopted on the GAAP basis of accounting.

I. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of \$5,000 or more. Infrastructure assets include City-owned streets, sidewalks, curbs and bridges. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset</u>	<u>Useful Life</u>
Buildings	40 years
Transportation and equipment	3-30 years
Infrastructure	40 years
Improvements other than buildings	10-40 years

J. Compensated Absences

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available resources is reported as an expenditure and fund liability of the governmental fund that will pay for it. Amounts of vested or accumulated vacation and sick leave that is not expected to be liquidated with expendable available financial resources are reported in the government wide statements.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences (Continued)

Vested or accumulated vacation and sick leave of the Enterprise Fund is recorded as an expense and liability of that fund as the benefits accrue to employees. Accumulated vacation and sick pay at September 30, 2014, of \$80,794 and \$265,803 has been recorded in accrued liabilities of the Enterprise Fund and government-wide statements, respectively. Compensated absences are reported in the governmental funds only if they have matured (i.e., unused reimbursable leave outstanding following an employee's resignation or retirement). The General Fund is the governmental fund that has typically been used in prior years to liquidate the liability for compensated absences.

K. Deferred Inflows of Resources

Property tax revenues are recognized when they become both measurable and available in fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues not expected to be available for the current period are reflected as deferred inflow of resources.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Fund Balance

The City adopted Governmental Accounting Standards Board Statement Number 54 (GASB 54) Fund Balance Reporting and Governmental Fund Type Definitions. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB 54 changed the way we look at fund balances, specifically reporting what fund balances, by major governmental fund type, are or are not available for public purposes. Five categories of fund balances were created and defined by GASB 54. These five categories are as follows:

- Non-spendable – These funds are not available for expenditures based on legal or contractual requirements. An example might be inventories and prepaid expenditures.
- Restricted – These funds are governed by externally enforceable restrictions.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Balance

- Committed – Fund balances in this category are limited by the government’s highest level of decision making (in this case the City Council). Any changes of this designation must be done in the same manner that it was implemented. For example, if funds are committed by resolution, the commitment could only be released with another resolution.
- Assigned – For funds to be assigned, there must be an intended use which can be established by the City Council or an official delegated by the council, such as a city administrator or finance director. Assigned fund balance is delegated by the City Council to the City Manager.
- Unassigned – This classification is the default for all funds that do not fit into the other categories.

N. Net Position

Net position represent the difference between assets and deferred outflows, and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The City has elected to appropriate net position of its business type activity. Such appropriations reflect the intended use of the net position.

O. Interfund Transactions

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. For the City, those revenues are charges for water, sewer and refuse services. Operating expenses are necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

Q. Uses of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Change in Accounting Policy

During the year, the District adopted GASB Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65).

GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

NOTE 2—CASH AND CASH EQUIVALENTS

The City's funds are required to be deposited and invested under the terms of the depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledge securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

A. Cash

At September 30, 2014, the carrying amount of the primary government's (the City) cash on hand was \$1,893, deposits in the bank were \$3,315,899 and the book balance was \$3,822,023. The City's cash was fully collateralized. The bank and book balance reported in the trust and agency funds was \$12,023.

B. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date of the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposits.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City had not adopted an investment policy and was not in compliance with the Public Funds Investment Act. This is reported as a compliance finding. The City's investments were however within the requirements of the Act.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investments pools, 9) guaranteed investment contracts, and 10) commercial paper.

CITY OF FLORESVILLE, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

NOTE 2—CASH AND CASH EQUIVALENTS (CONTINUED)

B. Investments (Continued)

The City's investments consist of the following:

	Reported and Fair Value	Weighted Average Maturity	Rating S&P
Cash on hand	\$ 1,893	n/a	n/a
Bank deposits	<u>2,820,130</u>	n/a	n/a
Total cash and cash equivalents	<u>\$2,822,023</u>		

NOTE 3—RECEIVABLES

A. Other Receivables

Other receivables consist of the following:

	Amount	Allowance for Doubtful	Net Receivable
Property taxes	\$ 247,425	\$ (37,114)	\$ 210,311
Other governments	336,829	-	336,829
Accounts	4,907	(700)	4,207
Utility	611,315	(116,000)	495,315

B. Notes Receivable

Notes receivable consist of amounts due from the 4A Corporation in the amount of \$6,111,172 and the Floresville EDC in the amount of \$1,219,443. These notes are a result of Interlocal Agreements whereby the 4a and Floresville EDC have agreed to pay the City for a share of the bonded debt issued by the City in 2008 and partially refunded in 2011, and a portion of a capital lease. The payments to the City mirror the City's debt service requirements on the bonds and capital lease.

Future payments under the Interlocal Agreements are as follows:

	Interlocal Agreement		
	4a	Cap. Lease 4a	Floresville EDC
2015	100,029	92,097	66,000
2016	1,298,795	-	68,200
2017	1,242,279	-	72,600
2018	1,190,189	-	77,000
2019	1,126,261	-	79,200
2020-2024	1,061,522	-	462,000
2025-2028	-	-	394,443
	<u>\$6,019,075</u>	<u>\$ 92,097</u>	<u>\$1,219,443</u>



CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE 3—RECEIVABLES (Continued)

B. Notes Receivable

Interest rates on the 4a Interlocal Agreements 3.147% to 3.51% and the interest rate on the Floresville EDC Interlocal Agreement is 3.91%.

NOTE 4—PROPERTY TAX CALENDAR

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Property taxes are recorded as receivables and deferred revenues at the time the taxes are assessed. In governmental funds, revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in the time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue. In the government-wide financial statements, the entire levy is recognized as revenue, net of estimated uncollectible amounts (if any), at the levy date.

NOTE 5—INTERFUND TRANSACTIONS

Transfers consisted of the following:

	GENERAL FUND	Purpose
Transfers to the General Fund consisted of the following:		
Parks Recreation	\$ 15,000	Program supplement
Waterworks/Sewer Fund	59,802	Program supplement
Refuse Fund	200,000	Program supplement
TOTALS	\$ 274,802	

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE 6—CAPITAL ASSETS

Governmental capital asset activity for the year ended September 30, 2014, was as follows:

	<u>Balance</u> <u>9/30/2013</u>	<u>Reclass and</u> <u>Additions</u>	<u>Reclass and</u> <u>Disposals</u>	<u>Balance</u> <u>9/30/2014</u>
Assets not being depreciated:				
Land	\$ 160,209	\$ -	\$ -	\$ 160,209
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	160,209	-	-	160,209
Assets being depreciated:				
Buildings	6,647,158	-	-	6,647,158
Property, plant and equipment	4,111,160	194,680	-	4,305,840
Infrastructure	<u>2,199,952</u>	<u>-</u>	<u>-</u>	<u>2,199,952</u>
	12,958,270	194,680	-	13,152,950
Less accumulated depreciation:				
Buildings	(921,873)	(165,268)	-	(1,087,141)
Property, plant and equipment	(3,416,514)	(184,011)	-	(3,600,525)
Infrastructure	<u>(1,156,233)</u>	<u>(54,999)</u>	<u>-</u>	<u>(1,211,232)</u>
	(5,494,620)	(404,278)	-	(5,898,898)
Assets being depreciated, net	<u>7,463,650</u>	<u>(209,598)</u>	<u>-</u>	<u>7,254,052</u>
Total capital assets, net	<u>\$7,623,859</u>	<u>\$ (209,598)</u>	<u>\$ -</u>	<u>\$7,414,261</u>

Depreciation expense was charged to the governmental functions as follows:

Administration	\$ 117,665
Municipal Court	9,980
Police Department	133,782
Fire Department	2,277
Streets Department	59,482
Parks and Recreation	44,395
Pool Department	9,340
Mayor and Council	2,711
Civic Center	24,646
	<u>\$ 404,278</u>

CITY OF FLORESVILLE, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

NOTE 6—CAPITAL ASSETS (CONTINUED)

Business-type capital asset activity for the year ended September 30, 2014, was as follows:

	<u>Balance</u> <u>9/30/2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>9/30/2014</u>
Assets not being depreciated:				
Land	\$ 58,155	\$ -	\$ -	\$ 58,155
	58,155	-	-	58,155
Assets being depreciated:				
Property, plant and equipment	6,477,531	62,389	-	6,539,920
Infrastructure	<u>3,643,501</u>	<u>-</u>	<u>-</u>	<u>3,643,501</u>
	10,121,032	62,389	-	10,183,421
Less accumulated depreciation:				
Property, plant and equipment	(3,394,249)	(154,136)	-	(3,548,385)
Infrastructure	<u>(3,643,501)</u>	<u>-</u>	<u>-</u>	<u>(3,643,501)</u>
	(7,037,750)	(154,136)	-	(7,191,886)
Assets being depreciated, net	<u>3,083,282</u>	<u>(91,747)</u>	<u>-</u>	<u>2,991,535</u>
Total capital assets, net	<u>\$3,141,437</u>	<u>\$ (91,747)</u>	<u>\$ -</u>	<u>\$3,049,690</u>

NOTE 7—LONG-TERM DEBT

Long-term debt and obligations payable at September 30, 2014 were comprised of the following:

Governmental activities:

	<u>Balance</u> <u>9/30/2013</u>	<u>Additions</u>	<u>Refunded or</u> <u>Payments</u>	<u>Balance</u> <u>9/30/2014</u>	<u>Due Within</u> <u>One Year</u>
Certificates of Obligation-Series 2008 Original amount of \$8,500,000 interest rate 3.91%	\$ 3,045,000	\$ -	\$ (145,000)	\$2,900,000	\$ 150,000
General Obligation Refunding Bonds, Series 2010, interest rate .8% to 3.5%	5,472,316	-	(100,000)	5,372,316	90,185
Tax Note Series 2008, Original amount of \$190,000, interest rate 4%	<u>60,000</u>	<u>-</u>	<u>(30,000)</u>	<u>30,000</u>	<u>30,000</u>
Subtotal bonds and notes	8,577,316	-	(275,000)	8,302,316	270,185
Accretion of interest on Capital Appreciation Bonds	<u>472,016</u>	<u>175,387</u>	<u>-</u>	<u>647,403</u>	<u>-</u>
Subtotal bonds and notes	9,049,332	175,387	(275,000)	8,949,719	270,185
Capital lease-Bank of America	212,837	12,404	(110,147)	115,094	110,773
Capital lease-Government Capital	<u>13,534</u>	<u>140,591</u>	<u>(26,733)</u>	<u>127,392</u>	<u>36,923</u>
Subtotal capital leases	<u>226,371</u>	<u>152,995</u>	<u>(136,880)</u>	<u>242,486</u>	<u>147,696</u>
	9,275,703	328,382	(411,880)	9,192,205	417,881
Compensated absences	<u>226,571</u>	<u>39,232</u>	<u>-</u>	<u>265,803</u>	<u>66,451</u>
Total	<u>\$ 9,502,274</u>	<u>\$ 367,614</u>	<u>\$ (411,880)</u>	<u>\$9,458,008</u>	<u>\$ 484,332</u>

CITY OF FLORESVILLE, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

NOTE 7—LONG-TERM DEBT (CONTINUED)

Business-type activities:

	Balance 9/30/2013	Additions	Payments	Balance 9/30/2014	Due Within One Year
Compensated absences	\$ 62,660	\$ 18,134	\$ -	\$ 80,794	\$ 20,199
	<u>\$ 62,660</u>	<u>\$ 18,134</u>	<u>\$ -</u>	<u>\$ 80,794</u>	<u>\$ 20,199</u>

In the past, the General Fund and the Water & Wastewater fund were used to liquidate compensated absences.

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2014, including interest payments, are as follows:

Year ended September 30,	Principal	Interest	Total
2015	\$ 270,185	\$ 293,112	\$ 563,297
2016	1,485,362	310,317	1,795,679
2017	1,448,851	257,203	1,706,054
2018	1,416,126	218,716	1,634,842
2019	1,300,731	175,431	1,476,162
2019-2023	2,003,464	350,511	2,353,975
2024-2028	<u>1,025,000</u>	<u>286,408</u>	<u>1,311,408</u>
Totals	<u>\$ 8,949,719</u>	<u>\$ 1,891,698</u>	<u>\$10,841,417</u>

Capital lease:

Commitments under capitalized lease agreements for vehicles and equipment provide for minimum future lease payments as of September 30, 2014 as follows:

Year ended September 30,	
2015	\$ 156,514
2016	41,421
2017	27,764
2018	<u>27,764</u>
Total minimum rentals	253,463
Less amount representing interest	(10,977)
Net present value	<u>\$ 242,486</u>

The effective interest rate on capital leases range from 3.51%- 3.81%.

NOTE 8—EMPLOYEES' RETIREMENT SYSTEM

*Plan Description*-The City provides pension benefits for all of its eligible employees through a non-traditional, joint-contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing statutes of TMRS.

CITY OF FLORESVILLE, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2014

NOTE 8—EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to TMRS, P. O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at [www.TMRS.com](http://www.TMRS.com).

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan years 2014 and 2013
Employee deposit rate	5.00%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service requirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

*Contributions-* Under the state law governing TMRS, the contribution rate for each entity is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (over-funded) actuarial liability (asset) over the applicable period for that entity. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The funding status and the annual pension cost and net pension obligation are as follows:

	(A)	(B)	(C)	(D)	(E)	(D)/(E)
Year	Actuarial Value of Assets	Actuarial Accrued Liability	(A)/(B) Funding Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered payroll	UAAL as a Percent of Covered Payroll
2011	\$ 3,359,955	\$ 4,566,697	73.58%	\$ 1,206,742	\$ 1,752,718	68.85%
2012	3,703,699	4,839,991	76.53	1,136,292	1,914,291	59.36
2013	4,111,382	5,742,980	71.59	1,631,598	2,059,347	79.23

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE 8—EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2013 and 2012 actuarial valuations. Additional information of the latest actuarial valuation at December 31, 2013 also follows:

Actuarial Valuation Date	<u>12/31/2013</u>		<u>12/31/2012</u>		<u>12/31/2011</u>	
Actuarial Cost Method	Entry Age	Normal	Projected Unit Credit		Projected Unit Credit	
Amortization Method	Level Percent of Payroll		Level Percent of Payroll		Level Percent of Payroll	
Amortization Period	26.0	Years-Closed	25.2	Years-Closed	26.3	Years-Closed
Amortization Period for New Gains/Losses	30 years		30 years		30 years	
Asset Valuation Method	10-year Smoothed Market		10-year Smoothed Market		10-year Smoothed Market	
<b>Actuarial Assumptions</b>						
Investment Return	7.00%		7.00%		7.00%	
Projected Salary Increases	Varies by age and service		Varies by age and service		Varies by age and service	
Inflation	3.00%		3.00%		3.00%	
Cost of Living Adjustments	2.10%		2.10%		2.10%	

NOTE 9—FUND BALANCE CATEGORIES

	General Fund	Debt Service	Street Maintenance Tax	Hotel/ Motel Occupancy Tax	Other Non-major Governmental Funds	Total
Restricted for:						
Debt service	\$ -	\$ 388,753	\$ -	\$ -	\$ -	\$ 388,753
Construction	-	-	-	-	156,794	156,794
Street maintenance	-	-	558,205	-	-	558,205
Hotel occupancy tax	-	-	-	526,738	-	526,738
State police forfeiture	-	-	-	-	28,317	28,317
Lease Funds	-	-	-	-	1,551	1,551
Parks	-	-	-	-	75,902	75,902
Building security	-	-	-	-	12,504	12,504
Court technology	-	-	-	-	5,112	5,112
Child safety	-	-	-	-	1,349	1,349
	-	388,753	558,205	526,738	281,529	1,755,225
Unassigned	<u>252,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,648</u>
	<u>\$252,648</u>	<u>\$ 388,753</u>	<u>\$ 558,205</u>	<u>\$ 526,738</u>	<u>\$ 281,529</u>	<u>\$2,007,873</u>

NOTE 10—CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

CITY OF FLORESVILLE, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

NOTE 11—RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contribution amounts. During the past three years, no settlements have exceeded insurance coverage.

NOTE 12—PRIOR PERIOD ADJUSTMENT

The City's adoption of GASB Statement No. 65 required a retroactive adjustment to recognize the costs associated with the bond issuance that were previously deferred and amortized as an outflow of resources in the reporting period in which they were incurred. With the adoption of GASB No. 65, the governmental activities beginning net position in the statement of activities has been restated by \$671,690. Additionally, the City had recognized an post retirement liability that had not been recorded as of October 1, 2013 and was estimated by actuaries to be restated by \$161,439. The Government-Wide net position at September 30, 2013 is restated as follows:

	<u>Governmental Activities</u>
Net Position - Beginning of Year	\$ 7,469,469
Bond Issue Costs	(671,690)
OPEB Liability	<u>(161,439)</u>
Net Position - Restated	<u>\$ 6,636,340</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL ON A  
GAAP BASIS – GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>BUDGETED AMOUNTS ORIGINAL</u>	<u>BUDGETED AMOUNTS FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>REVENUES</u>				
Property Taxes	\$ 451,489	\$ 451,489	\$ 443,067	\$ (8,422)
Sales and Other Taxes	1,358,000	1,358,000	1,632,666	274,666
Franchise Fees	631,500	631,500	600,990	(30,510)
Licenses, Permits, Fees and Fines	589,279	589,279	655,895	66,616
Miscellaneous	2,300	57,557	79,879	22,322
Contributions	215,923	222,979	97,401	(125,578)
Interest	-	-	6	6
Total Revenues	<u>3,248,491</u>	<u>3,310,804</u>	<u>3,509,904</u>	<u>199,100</u>
<u>EXPENDITURES</u>				
Administration	1,065,747	1,010,236	894,194	116,042
Municipal Court	102,234	106,541	101,783	4,758
Police Department	1,212,543	1,247,918	1,405,574	(157,656)
Fire Department	28,000	28,000	22,210	5,790
Streets Department	345,121	336,703	327,897	8,806
Parks and Recreation	301,573	318,620	290,855	27,765
Service Department	223,145	236,291	215,598	20,693
Pool Department	68,571	85,839	86,145	(306)
Mayor and Council	46,100	46,100	35,763	10,337
Civic Center	<u>229,270</u>	<u>229,604</u>	<u>222,352</u>	<u>7,252</u>
Total Expenditures	<u>3,622,304</u>	<u>3,645,852</u>	<u>3,602,371</u>	<u>43,481</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(373,813)</u>	<u>(335,048)</u>	<u>(92,467)</u>	<u>242,581</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from Capital Lease	-	-	140,591	140,591
Transfers In	<u>373,813</u>	<u>380,004</u>	<u>274,802</u>	<u>(105,202)</u>
Total Other Financing Sources (Uses)	<u>373,813</u>	<u>380,004</u>	<u>415,393</u>	<u>35,389</u>
Net Change in Fund Balance	-	44,956	322,926	277,970
<u>FUND BALANCES – BEGINNING OF YEAR</u>	<u>(70,278)</u>	<u>(70,278)</u>	<u>(70,278)</u>	<u>-</u>
AT END OF YEAR	<u>\$ (70,278)</u>	<u>\$ (25,322)</u>	<u>\$ 252,648</u>	<u>\$ 277,970</u>

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL ON A  
GAAP BASIS – DEBT SERVICE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>BUDGETED AMOUNTS ORIGINAL</u>	<u>BUDGETED AMOUNTS FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>REVENUES</u>				
Property Taxes	\$ 426,488	\$ 426,488	\$ 461,299	\$ 34,811
Contributions	<u>64,618</u>	<u>64,618</u>	<u>100,000</u>	<u>35,382</u>
Total Revenues	<u>491,106</u>	<u>491,106</u>	<u>561,299</u>	<u>70,193</u>
<u>EXPENDITURES</u>				
Administration	162	162	900	(738)
Debt Service				
Principal	276,005	360,893	411,880	(50,987)
Interest	<u>132,153</u>	<u>130,051</u>	<u>109,062</u>	<u>20,989</u>
Total Expenditures	<u>408,320</u>	<u>491,106</u>	<u>521,842</u>	<u>(30,736)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>82,786</u>	<u>-</u>	<u>39,457</u>	<u>39,457</u>
<u>FUND BALANCES - BEGINNING OF YEAR</u>	<u>349,296</u>	<u>349,296</u>	<u>349,296</u>	<u>-</u>
AT END OF YEAR	<u>\$ 432,082</u>	<u>\$ 349,296</u>	<u>\$ 388,753</u>	<u>\$ 39,457</u>

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL ON A GAAP  
BASIS – STREET MAINTENANCE TAX FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>BUDGETED AMOUNTS ORIGINAL</u>	<u>BUDGETED AMOUNTS FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>REVENUES</u>				
Sales and Other Taxes	\$ 337,000	\$ 441,501	\$ 403,964	\$ (37,537)
Total Revenues	337,000	441,501	403,964	(37,537)
<u>EXPENDITURES</u>				
Streets Department	37,000	441,501	165,898	275,603
Excess (Deficiency) of Revenues Over (Under) Expenditures	300,000	-	238,066	(238,066)
<u>FUND BALANCES - BEGINNING OF YEAR</u>				
	320,139	320,139	320,139	-
AT END OF YEAR	\$ 620,139	\$ 320,139	\$ 558,205	\$ 238,066

CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE – BUDGET AND ACTUAL ON A GAAP  
BASIS – HOTEL/MOTEL TAX FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>BUDGETED AMOUNTS ORIGINAL</u>	<u>BUDGETED AMOUNTS FINAL</u>	<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<u>REVENUES</u>				
Sales and Other Taxes	\$ 300,000	\$ 300,000	\$ 323,391	\$ 23,391
Total Revenues	300,000	300,000	323,391	23,391
<u>EXPENDITURES</u>				
Administration	<u>300,000</u>	<u>120,202</u>	<u>5,000</u>	<u>115,202</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>179,798</u>	<u>318,391</u>	<u>(138,593)</u>
<u>FUND BALANCES - BEGINNING OF YEAR</u>	<u>208,347</u>	<u>208,347</u>	<u>208,347</u>	<u>-</u>
AT END OF YEAR	<u>\$ 208,347</u>	<u>\$ 388,145</u>	<u>\$ 526,738</u>	<u>\$ 138,593</u>

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OTHER SUPPLEMENTARY INFORMATION

CITY OF FLORESVILLE, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014

	SPECIAL REVENUE			
	CHILD SAFETY	STATE FORFEITURE	PARK RECREATION	MUNICIPAL COURT TECHNOLOGY
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,349	\$ 30,305	\$ 71,695	\$ 5,112
Other Receivables, net	-	-	4,207	-
TOTAL ASSETS	<u>\$ 1,349</u>	<u>\$ 30,305</u>	<u>\$ 75,902</u>	<u>\$ 5,112</u>
<u>LIABILITIES</u>				
Due to Others	-	1,988	-	-
Total Liabilities	-	1,988	-	-
<u>FUND BALANCES</u>				
Restricted Capital Projects	-	-	-	-
Restricted for Special Revenue	1,349	28,317	75,902	5,112
Total Fund Balance	1,349	28,317	75,902	5,112
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,349</u>	<u>\$ 30,305</u>	<u>\$ 75,902</u>	<u>\$ 5,112</u>



FUNDS				
<u>MUNICIPAL COURT BUILDING SECURITY</u>	<u>LEOSE FUNDS</u>	<u>TOTAL SPECIAL REVENUE FUNDS</u>	<u>CAPITAL PROJECT FUND</u>	<u>TOTAL NONMAJOR FUNDS</u>
\$ 12,504	\$ 1,551	\$ 122,516	\$ 156,794	\$ 279,310
-	-	4,207	-	4,207
<u>\$ 12,504</u>	<u>\$ 1,551</u>	<u>\$ 126,723</u>	<u>\$ 156,794</u>	<u>\$ 283,517</u>
-	-	1,988	-	1,988
-	-	1,988	-	1,988
12,504	-	-	156,794	156,794
<u>12,504</u>	<u>1,551</u>	<u>124,735</u>	<u>-</u>	<u>124,735</u>
12,504	1,551	124,735	156,794	281,529
<u>\$ 12,504</u>	<u>\$ 1,551</u>	<u>\$ 126,723</u>	<u>\$ 156,794</u>	<u>\$ 283,517</u>

CITY OF FLORESVILLE, TEXAS COMBINING  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE NONMAJOR  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>SPECIAL REVENUE</u>			
	<u>CHILD SAFETY</u>	<u>STATE FORFEITURE</u>	<u>PARKS RECREATION</u>	<u>MUNICIPAL COURT TECHNOLOGY</u>
<u>REVENUES</u>				
Fines, Fees and Forefeitures	\$ 252	\$ -	\$ 34,333	\$ 2,573
Interest Earned	<u>-</u>	<u>8</u>	<u>-</u>	<u>2</u>
Total Revenues	<u>252</u>	<u>8</u>	<u>34,333</u>	<u>2,575</u>
<u>EXENDITURES</u>				
Current				
Public Safety	<u>130</u>	<u>140</u>	<u>-</u>	<u>8,427</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>122</u>	<u>(132)</u>	<u>34,333</u>	<u>(5,852)</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>
Net Change in Fund Balances	122	(132)	19,333	(5,852)
<u>FUND BALANCES AT BEGINNING OF YEAR</u>	<u>1,227</u>	<u>28,449</u>	<u>56,569</u>	<u>10,964</u>
FUND BALANCES AT END OF YEAR	<u>\$ 1,349</u>	<u>\$ 28,317</u>	<u>\$ 75,902</u>	<u>\$ 5,112</u>

FUNDS				
MUNICIPAL COURT BUILDING SECURITY	LEOSE FUNDS	TOTAL SPECIAL REVENUE FUNDS	CAPITAL PROJECT FUND	TOTAL NONMAJOR FUNDS
\$ 1,930	\$ 1,551	\$ 40,639	\$ -	\$ 40,639
<u>2</u>	<u>-</u>	<u>12</u>	<u>-</u>	<u>12</u>
<u>1,932</u>	<u>1,551</u>	<u>40,651</u>	<u>-</u>	<u>40,651</u>
<u>40</u>	<u>-</u>	<u>8,737</u>	<u>-</u>	<u>8,737</u>
<u>1,892</u>	<u>1,551</u>	<u>31,914</u>	<u>-</u>	<u>31,914</u>
<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
1,892	1,551	16,914	-	16,914
<u>10,612</u>	<u>-</u>	<u>107,821</u>	<u>156,794</u>	<u>264,615</u>
<u>\$ 12,504</u>	<u>\$ 1,551</u>	<u>\$ 124,735</u>	<u>\$ 156,794</u>	<u>\$ 281,529</u>

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COMPLIANCE SECTION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council  
City of Floresville, Texas  
1120 D Street  
Floresville, Texas 78114

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Floresville, Texas as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2015. Our report includes a reference to other auditors who audited the financial statements of the City of Floresville Electric Light and Power Systems (FELPS), as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Floresville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Floresville's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Floresville's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency referenced as 2014-1.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Floresville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Floresville, Texas' Response to Findings**

The City of Floresville, Texas response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

Certified Public Accountants

San Antonio, Texas

March 26, 2015

CITY OF FLORESVILLE, TEXAS  
 SCHEDULE OF FINDINGS AND RESPONSES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Auditors' Results:

1 Financial statements:

Type of report on financial statements	Unmodified
Internal Control over financial reporting:	
One or more material weaknesses identified?	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	No

B. Financial Statement Findings:

Current Year Findings:

Significant Deficiencies in Internal Controls:

*2014-1 Municipal Court:*

The Municipal Court's Server is not linked to the City's general ledger and cash receipts module. This was also a finding in the prior year.

*Response: The Municipal court cash receipts will not be added to the accounting software server any time soon due to the cost that will imply. The city will work on adding the municipal court cash receipts to the accounting software server in the future however; on the meantime procedures have been put on place for cash receipts to be sent to the bank and posted on a daily basis. This will eliminate timing issues in regards to the revenue not recorded promptly.*

Status of Prior Year Findings:

Material Noncompliance:

*2013-1 Fund Balance Deficit:*

The general fund's deficit in fund balance was \$70,278 at September 30, 2013. Progress is being made through budgetary decisions to eliminate the fund balance deficit.

*Status: The general fund's fund balance was \$252,648 at September 30, 2014; a significant increase from the deficit of \$70,278 at September 30, 2013.. Progress is being made through budgetary decisions to improve the fund balance. The city will continue to operate on a limited operating budget to reduce the current deficit. This finding has been resolved by the city. The goal was to eliminate the 2013 deficit by the end of fiscal year 2013-2014, and by the end of fiscal year 2014-2015 to have accumulated a fund balance to cover at least one month of operating expenses. City staff will continue to work on eliminate emergency expenses and build the fund balance until we reach the compliance amount of 9 months of operating expenses on fund balance.*



CITY OF FLORESVILLE, TEXAS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Status of Prior Year Findings (Continued):

Significant Deficiencies in Internal Controls:

*2013-2 Payroll Matters:*

The City's payroll module is currently not being utilized to its full potential in relation to tracking of compensatory time, vacation, and sick. This was also a finding in the prior year.

In addition, the employee handbook contradictory as to the payment of compensated absences and should be revised.

*Status: The city has implemented the tracking of compensatory time, vacation, and sick thru the payroll module of Incode. These balances are now printed on the employees check stubs. This finding has been resolved by the city. The city is reusing the employee's handbook.*

*2013-3 Municipal Court:*

The Municipal Court currently utilizes the same software vendor as the City accounting system, but is maintained on a separate server and is not connected. The Court should be linked to the City's general ledger and cash receipts module in order to ensure more accurate and timely financial information. In addition the Court is not making timely deposits, by linking the court module with cash receipts module deposits can be completed and posted daily. Currently there is little segregation of duties in the department, internal controls being implemented by the City should be used for all City departments.

*Status: The Court's server is not linked to the City's general ledger and cash receipts module. This remains a finding.*